



October 31, 2014

**Summary of Consolidated Financial Results for the Second Quarter
of the Fiscal Year Ending March 31, 2015
(Six Months Ended September 30, 2014)**

[Japanese GAAP]

Company name: NIHON CHOUZAI Co., Ltd.	Listing: Tokyo Stock Exchange, First Section
Stock code: 3341	URL: http://www.nicho.co.jp/
Representative: Hiroshi Mitsuhashi, President & CEO	Tel: +81-(0) 3-6810-0800
Contact: Yoshiki Kamada, Managing Director	November 14, 2014
Scheduled date of filing of Quarterly Report:	December 5, 2014
Scheduled date of payment of dividend:	Yes
Preparation of supplementary materials for quarterly financial results:	Yes (for institutional investors and analysts)
Holding of quarterly financial results meeting:	

Note: The original disclosure in Japanese was released on October 31, 2014 at 15:00 (GMT +9).

(All amounts are rounded down to the nearest million yen)

**1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2015
(April 1, 2014 – September 30, 2014)**

(1) Consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Sep. 30, 2014	87,418	9.1	2,623	12.2	2,318	13.1	1,157	21.8
Six months ended Sep. 30, 2013	80,136	19.4	2,338	198.0	2,049	276.4	950	428.1

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2014: 1,256 (up 58.7%)
Six months ended Sep. 30, 2013: 792 (up 289.7%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2014	159.80	-
Six months ended Sep. 30, 2013	131.36	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Sep. 30, 2014	128,077	16,783	13.1
As of Mar. 31, 2014	117,295	15,849	13.5

Reference: Shareholders' equity (million yen) As of Sep. 30, 2014: 16,783 As of Mar. 31, 2014: 15,849

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2014	-	35.00	-	35.00	70.00
Fiscal year ending Mar. 31, 2015	-	35.00	-	-	-
Fiscal year ending Mar. 31, 2015 (forecasts)	-	-	-	35.00	70.00

Note: Revisions to the most recently announced dividend forecast: None

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2015 (April 1, 2014 – March 31, 2015)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	188,576	14.0	6,660	40.4	6,080	45.2	3,202	68.4	440.80

Note: Revisions to the most recently announced consolidated forecast: None

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

Newly added: - Excluded: -

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: Yes

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

Note: Please refer to “Matters Related to Summary Information (Notes)” on page 4 of the attachments for further information.

(4) Number of outstanding shares (common stock shares)

1) Number of shares outstanding at the end of period (including treasury shares)

As of Sep. 30, 2014:	8,012,000 shares	As of Mar. 31, 2014:	8,012,000 shares
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2) Number of treasury shares at the end of period

As of Sep. 30, 2014:	866,954 shares	As of Mar. 31, 2014:	746,004 shares
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3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2014:	7,245,482 shares	Six months ended Sep. 30, 2013:	7,236,157 shares
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Note 1: Information regarding the implementation of quarterly review procedures

This summary report is exempted from quarterly review procedures based on the Financial Instruments and Exchange Act. At the time of disclosure, the quarterly review procedures for the quarterly consolidated financial statements have not been completed.

Note 2: Cautionary statement with respect to forward-looking statements and other special items

(1) Note concerning forward-looking statements

Forecasts and other forward-looking statements in this document incorporate risks and uncertainties because these statements are based on judgments and assumptions using information that is currently available. These materials are not promises by the Company regarding future performance. Actual results may differ significantly from these forecasts for a number of reasons.

(2) How to view supplementary information about quarterly performance

Nihon Chouzai plans to hold an information meeting for institutional investors and analysts regarding results of operations on November 12, 2014. Materials distributed at this event will also be disclosed, using the Timely Disclosure network (TDnet), and available on the Nihon Chouzai website.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first half (April to September 2014) of the fiscal year ending March 31, 2015, revisions were made to prescription dispensing fees and National Health Insurance (NHI) drug prices in April 2014 that affected the pharmaceutical and dispensing pharmacy industries. These revisions had a negative effect on sales and profits of the Nihon Chouzai Group. But the Group conformed to the objectives of these revisions, such as encouraging the use of generic drugs and increasing at-home medical care and made even greater and more positive efforts to further its activities in pursuit of these goals.

In this environment, the Group's net sales increased 9.1% year on year to 87,418 million yen. Operating income increased 12.2% to 2,623 million yen, ordinary income increased 13.1% to 2,318 million yen, and net income increased 21.8% to 1,157 million yen. The operating environment in the period immediately after the revisions proved challenging, but the Group achieved year-on-year growth in both net sales and income.

Results by business segment are as follows.

1) Dispensing Pharmacy Business

In the first half of the current fiscal year, Nihon Chouzai Co., Ltd. (the Company) opened 12 pharmacies in the dispensing pharmacy business and closed six. Consequently, there were 500 pharmacies (including one pharmacy specializing in the sale of general merchandise) at the end of the second quarter. There was a temporary decline in prescription dispensing fees caused by the revision. However, this business benefited from additional payments for dispensing generic drug prescriptions for encouraging the use of generic drugs. As a result, there was a recovery in the second quarter of the current fiscal year to the level recorded in the same period in the previous fiscal year. Sales of this segment rose by 7.3% to 75,970 million yen. Operating income decreased 14.1% to 3,113 million yen mainly because of the significant effect immediately after the NHI drug price revisions.

2) Pharmaceutical Manufacturing and Sales Business

In the pharmaceutical manufacturing and sales business, there was a decline in selling prices caused by the NHI drug price revisions. However, this business benefited from revisions to medical treatment fees for the purpose of increasing the use of generic drugs by large hospitals and other medical institutions. In addition, the contributions from cooperative initiatives between group companies resulted in growth in both net sales and income. Net sales of this segment rose by 20.7% to 13,389 million yen and operating income increased 195.6% to 836 million yen. In June, nine new products were launched and actions were taken to eliminate the overlapping products between group companies. As a result, the number of product items for sale was 561 at the end of the second quarter of the current fiscal year.

3) Medical Professional Staffing and Placement Business

In the medical professional staffing and placement business, the volume of work performed by pharmacists has been growing recent years. However, the percentage of applicants who passed Japan's pharmacist certification test is low in the first half of the current fiscal year. Demand for pharmacist staffing services is continuously increasing in Japan. As a result, both sales and income increased in this segment. Sales rose by 19.8% to 3,010 million yen and operating income increased 27.2% to 619 million yen.

(2) Explanation of Financial Position

Total assets increased 10,782 million yen, or 9.2%, from the end of March 2014, to 128,077 million yen at the end of September 2014. Current assets were 61,127 million yen, an increase of 7,753 million yen, or 14.5%. This was attributable mainly to an increase in merchandise and finished goods. Non-current assets increased 3,028 million yen, or 4.7% to 66,950 million yen. This was attributable mainly to an increase in construction in progress.

Total liabilities increased 9,848 million yen, or 9.7% to 111,294 million yen. This was attributable mainly to increases in accounts payable-trade and long-term loans payable.

Net assets increased 934 million yen, or 5.9% to 16,783 million yen.

Cash flows

There was a net increase of 1,682 million yen in cash and cash equivalents from the end of March 2014 to 16,710 million yen at the end of September 2014. Net cash provided by operating activities was 1,502 million yen, net cash used in investing activities 3,394 million yen, and net cash provided by financing activities 3,575 million yen.

In operating activities, major sources of cash were income before income taxes and minority interests of 2,289 million yen and a 5,089 million yen increase in notes and accounts payable-trade. The primary uses of cash were a 4,976 million yen increase in inventories and income taxes paid of 1,434 million yen.

In investing activities, the primary uses of cash were payments of 2,930 million yen for the purchase of property, plant and equipment incident to new store opening in the dispensing pharmacy business and investments in production facilities in the pharmaceutical manufacturing and sales business.

In financing activities, the primary source of cash was proceeds of 17,200 million yen from long-term loans payable. The primary uses of cash were redemption of bonds of 7,000 million yen and a 3,800 million yen decrease in short-term loans payable.

(3) Explanation of Consolidated Forecast and Other Forward-looking Statements

There are no revisions to the consolidated forecast for the fiscal year ending March 31, 2015 that was announced on April 30, 2014.

2. Matters Related to Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period

Not applicable.

(2) Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements

Not applicable.

(3) Changes in Accounting Policies and Accounting-based Estimates, and Restatements

Changes in Accounting Policies

1) Application of the accounting standard for retirement benefits

The Company has applied the “Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012)” and the “Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012)” from the first quarter of the current fiscal year, for provisions set forth in the main clauses of Paragraph 35 of the Accounting Standard for Retirement Benefits and Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits. Accordingly, the Company reviewed the methods for calculating retirement benefit obligations and service costs, and revised the method of attributing estimated retirement benefit obligations to periods from the straight-line basis to the benefit formula basis, and revised the method of determining the discount rate, for the period of bonds used for the basis of determining the discount rate, from the method using the approximate number of years of expected average length of the remaining service period of employees to the method using a plural discount rate reflecting the estimated period.

For the application of these accounting standards, etc. in accordance with the transitional accounting treatments set forth in Paragraph 37 of the Accounting Standard for Retirement Benefits, the adjustments associated with the change in calculation methods of retirement benefit obligations and service costs are recorded in retained earnings at the beginning of the first quarter of the current fiscal year.

The result was a decrease of 441 million yen in net defined benefit liability, and an increase of 283 million yen in retained earnings at the beginning of the first quarter of the current fiscal year. The effect of this change on operating income, ordinary income and income before income taxes and minority interests in the first half of the current fiscal year is insignificant.

2) Application of practical solution on transactions of delivering the Company’s own stock to employees, etc. through trusts

The Company has applied the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees, etc. through Trusts (ASBJ Practical Issue Task Force (PITF) No. 30, December 25, 2013)” from the first quarter of the current fiscal year. Furthermore, since the current system is based on the trust contract concluded before the beginning of the first half of the current fiscal year, the Company continues to apply an accounting treatment that is based on the method used in prior years. Accordingly, there is no effect on consolidated financial statements for the first half of the current fiscal year.

(4) Additional Information

Transactions of delivering the Company's own stock to employees, etc. through trusts

The Company performs transactions of delivering its stock to an employee stock ownership plan through a trust for the purpose of providing benefits to employees.

1) Summary

The Company has established a trust in which the beneficiaries are employees who belong to the Nihon Chouzai Employee Stock Ownership Plan (the ESOP) and who fulfill certain requirements. The trust purchases during a period specified in advance an amount of the Company stock that the ESOP is expected to purchase during the trust's existence (February 3, 2010 to March 20, 2015). After purchasing this stock, the trust sells stock to the ESOP each month on the designated day. Upon completion of the trust, if there is trust income resulting from an increase in the price of the Company stock, this income will be distributed to the beneficiaries (employees) in proportion to their contributions to the ESOP. If there is a loss on the sale of stock resulting from a decrease in the price of the Company stock, resulting in a liability concerning trust assets, then in accordance with the guarantee terms of a loan contract, the Company will make a reimbursement to the bank in a lump-sum so that there is no additional financial burden on employees.

2) Accounting treatment for transactions of delivering the Company's own stock through trusts

The Company applies the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc. through Trusts (ASBJ PITF No. 30, December 25, 2013)," but uses an accounting treatment that is based on the method used in prior years.

3) Information concerning the Company stock held by the trust

- i. The book value of the Company stock held by the trust was 131 million yen as of March 31, 2014 and 80 million yen as of September 30, 2014. Stock held by the trust is shown as treasury shares in shareholders' equity.
- ii. The trust held 70,310 shares of the Company stock as of September 30, 2013 and 31,250 shares as of September 30, 2014 and the average number of shares held was 80,839 in the first half of the previous fiscal year and 42,466 in the first half of the current fiscal year. The number of shares at the end of each period and average number of shares are included in treasury shares, which is deducted from the number of shares used to calculate per share data.

3. Quarterly Consolidated Financial Statements**(1) Quarterly Consolidated Balance Sheet**

(Millions of yen)

	FY3/14 (As of Mar. 31, 2014)	Second quarter of FY3/15 (As of Sep. 30, 2014)
Assets		
Current assets		
Cash and deposits	15,429	17,115
Notes receivable-trade	1,270	1,210
Accounts receivable-trade	17,395	18,163
Merchandise and finished goods	12,165	17,153
Work in process	751	938
Raw materials and supplies	3,480	3,282
Other	2,889	3,273
Allowance for doubtful accounts	(8)	(9)
Total current assets	53,373	61,127
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,990	13,907
Land	15,318	15,460
Construction in progress	7,076	10,193
Other, net	5,738	6,012
Total property, plant and equipment	42,123	45,575
Intangible assets		
Goodwill	9,265	8,923
Other	1,838	1,720
Total intangible assets	11,103	10,643
Investments and other assets		
Investment securities	1,030	1,145
Lease and guarantee deposits	6,934	7,056
Other	2,729	2,529
Total investments and other assets	10,694	10,731
Total non-current assets	63,921	66,950
Total assets	117,295	128,077

	(Millions of yen)	
	FY3/14 (As of Mar. 31, 2014)	Second quarter of FY3/15 (As of Sep. 30, 2014)
Liabilities		
Current liabilities		
Notes payable-trade	2,102	2,650
Accounts payable-trade	26,861	31,404
Short-term loans payable	7,750	3,950
Current portion of bonds	7,000	-
Current portion of long-term loans payable	3,889	4,950
Income taxes payable	1,507	1,052
Provision for bonuses	1,793	1,936
Provision for directors' bonuses	74	9
Provision for sales rebates	102	140
Other	4,584	4,101
Total current liabilities	55,666	50,195
Non-current liabilities		
Bonds payable	7,000	7,000
Long-term loans payable	35,165	49,328
Provision for directors' retirement benefits	907	841
Net defined benefit liability	915	595
Other	1,789	3,333
Total non-current liabilities	45,779	61,099
Total liabilities	101,446	111,294
Net assets		
Shareholders' equity		
Capital stock	3,953	3,953
Capital surplus	4,754	4,754
Retained earnings	9,310	10,497
Treasury shares	(2,171)	(2,523)
Total shareholders' equity	15,845	16,681
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	237	311
Remeasurements of defined benefit plans	(234)	(209)
Total accumulated other comprehensive income	3	101
Total net assets	15,849	16,783
Total liabilities and net assets	117,295	128,077

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**(Quarterly Consolidated Statement of Income)****(For the Six-month Period)**

(Millions of yen)

	First six months of FY3/14 (Apr. 1, 2013 – Sep. 30, 2013)	First six months of FY3/15 (Apr. 1, 2014 – Sep. 30, 2014)
Net sales	80,136	87,418
Cost of sales	67,575	72,571
Gross profit	12,560	14,846
Selling, general and administrative expenses	10,222	12,223
Operating income	2,338	2,623
Non-operating income		
Commission fee	57	60
Rent income	70	154
Other	100	117
Total non-operating income	228	333
Non-operating expenses		
Interest expenses	347	405
Commission fee	42	15
Other	127	216
Total non-operating expenses	517	637
Ordinary income	2,049	2,318
Extraordinary income		
Gain on sales of non-current assets	17	0
Gain on sales of investment securities	1	-
Total extraordinary income	19	0
Extraordinary losses		
Loss on sales of investment securities	0	-
Impairment loss	79	29
Total extraordinary losses	80	29
Income before income taxes and minority interests	1,988	2,289
Income taxes-current	1,087	988
Income taxes-deferred	(59)	143
Total income taxes	1,028	1,131
Income before minority interests	960	1,157
Minority interests in income	9	-
Net income	950	1,157

(Quarterly Consolidated Statement of Comprehensive Income)**(For the Six-month Period)**

(Millions of yen)

	First six months of FY3/14 (Apr. 1, 2013 – Sep. 30, 2013)	First six months of FY3/15 (Apr. 1, 2014 – Sep. 30, 2014)
Income before minority interests	960	1,157
Other comprehensive income		
Valuation difference on available-for-sale securities	(168)	74
Remeasurements of defined benefit plans, net of tax	-	24
Total other comprehensive income	(168)	98
Comprehensive income	792	1,256
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	782	1,256
Comprehensive income attributable to minority interests	9	-

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	First six months of FY3/14 (Apr. 1, 2013 – Sep. 30, 2013)	First six months of FY3/15 (Apr. 1, 2014 – Sep. 30, 2014)
Cash flows from operating activities		
Income before income taxes and minority interests	1,988	2,289
Depreciation	1,844	1,662
Impairment loss	79	29
Increase (decrease) in allowance for doubtful accounts	0	0
Increase (decrease) in provision for bonuses	152	142
Increase (decrease) in provision for allowance for sales discount	(50)	38
Increase (decrease) in provision for directors' bonuses	2	(65)
Increase (decrease) in provision for retirement benefits	93	-
Increase (decrease) in net defined benefit liability	-	158
Increase (decrease) in provision for directors' retirement benefits	25	(65)
Interest and dividend income	(20)	(21)
Interest expenses	347	405
Loss (gain) on sales of investment securities	(0)	-
Loss (gain) on sales of non-current assets	(17)	(0)
Decrease (increase) in notes and accounts receivable-trade	138	(708)
Decrease (increase) in inventories	(1,784)	(4,976)
Increase (decrease) in notes and accounts payable-trade	236	5,089
Other, net	456	(652)
Subtotal	3,489	3,325
Interest and dividend income received	20	21
Interest expenses paid	(351)	(410)
Income taxes paid	(1,486)	(1,434)
Net cash provided by (used in) operating activities	1,672	1,502
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,604)	(2,930)
Proceeds from sales of property, plant and equipment	110	0
Purchase of intangible assets	(132)	(134)
Proceeds from sales of investment securities	29	-
Purchase of long-term prepaid expenses	(37)	(154)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(2,103)	-
Payments of loans receivable	(109)	(60)
Collection of loans receivable	60	61
Payments for lease and guarantee deposits	(133)	(261)
Proceeds from collection of lease and guarantee deposits	102	75
Other, net	(30)	10
Net cash provided by (used in) investing activities	(6,848)	(3,394)

(Millions of yen)

	First six months of FY3/14 (Apr. 1, 2013 – Sep. 30, 2013)	First six months of FY3/15 (Apr. 1, 2014 – Sep. 30, 2014)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	610	(3,800)
Proceeds from long-term loans payable	16,700	17,200
Repayments of long-term loans payable	(9,130)	(1,976)
Redemption of bonds	(92)	(7,000)
Proceeds from sales of treasury shares	51	50
Purchase of treasury shares	-	(403)
Cash dividends paid	(252)	(254)
Other, net	(113)	(241)
Net cash provided by (used in) financing activities	7,771	3,575
Net increase (decrease) in cash and cash equivalents	2,595	1,682
Cash and cash equivalents at beginning of period	14,513	15,027
Cash and cash equivalents at end of period	17,108	16,710

(4) Notes to Quarterly Consolidated Financial Statements**Going-concern Assumption**

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment and Other Information

Segment Information

I. First six months of FY3/14 (Apr. 1, 2013 – Sep. 30, 2013)

1. Information related to net sales, profit or loss for each reportable segment

(Millions of yen)

	Reportable segment				Adjustment (Note)	Amounts shown on quarterly consolidated statement of income
	Dispensing pharmacy business	Pharmaceutical manufacturing and sales business	Medical professional staffing and placement business	Total		
Net sales						
(1) External sales	70,805	7,403	1,927	80,136	-	80,136
(2) Inter-segment sales and transfers	-	3,686	586	4,272	(4,272)	-
Total	70,805	11,090	2,513	84,409	(4,272)	80,136
Segment profit (loss)	3,622	282	487	4,393	(2,054)	2,338

Note: Total segment sales and segment profit have been adjusted to be consistent with net sales and operating income shown on the quarterly consolidated statement of income. The adjustment of -2,054 million yen to segment profit (loss) includes eliminations of -15 million yen for inter-segment transactions and corporate expenses of -2,039 million yen. General and administrative expenses that do not belong to any reportable segment are the primary component of corporate expenses.

2. Information related to impairment losses on non-current assets or goodwill, etc. for each reportable segment

Impairment losses related to non-current assets

In the dispensing pharmacy business segment, there was an impairment loss for store assets (seven pharmacies). The amount of this loss in the first six months of FY3/14 was 79 million yen.

Significant change in goodwill

In the pharmaceutical manufacturing and sales business segment, Nihon Chouzai purchased shares of Choseido Pharmaceutical Co., Ltd. in April 2013 to make this company a subsidiary. In the first six months of FY3/14, this purchase caused goodwill to increase by 503 million yen.

II. First six months of FY3/15 (Apr. 1, 2014 – Sep. 30, 2014)

1. Information related to net sales, profit or loss for each reportable segment

(Millions of yen)

	Reportable segment				Adjustment (Note)	Amounts shown on quarterly consolidated statement of income
	Dispensing pharmacy business	Pharmaceutical manufacturing and sales business	Medical professional staffing and placement business	Total		
Net sales						
(1) External sales	75,967	8,985	2,465	87,418	-	87,418
(2) Inter-segment sales and transfers	3	4,404	544	4,952	(4,952)	-
Total	75,970	13,389	3,010	92,371	(4,952)	87,418
Segment profit (loss)	3,113	836	619	4,570	(1,947)	2,623

Note: Total segment sales and segment profit have been adjusted to be consistent with net sales and operating income shown on the quarterly consolidated statement of income. The adjustment of -1,947 million yen to segment profit (loss) includes eliminations of -6 million yen for inter-segment transactions and corporate expenses of -1,940 million yen. General and administrative expenses that do not belong to any reportable segment are the primary component of corporate expenses.

2. Information related to impairment losses on non-current assets or goodwill, etc. for each reportable segment

Impairment losses related to non-current assets

In the dispensing pharmacy business segment, there was an impairment loss for store assets (three pharmacies). The amount of this loss in the first six months of FY3/15 was 29 million yen.

Significant change in goodwill

Not applicable.

This summary report is solely a translation of "Kessan Tanshin" (in Japanese, including the attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.